

Message Text

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ACTION AID-59

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C O N F I D E N T I A L DACCA 2075

E.O. 11652: GDS

TAGS: EAID, EFIN, EAGR, BG

SUBJECT: ECONOMIC POLICY: CALL ON VICE PRESIDENT

REF: STATE 86232; DACCA 2051

SUMMARY: AS PART MISSION PREPARATIONS FOR BD AID GROUP MEETING, AMB CALLED APRIL 26 ON VICE PRESIDENT. AMB REITERATED USG HOPE THAT BDG WILL REACH PROMPT ACCORD WITH IMF. VP GUARDEDLY DESCRIBED STATUS BDG CONSIDERATION ECONOMIC POLICY CHANGES GENERALLY AND, INTER ALIA, POPULATION AND TARGETTING OF FOOD DISTRIBUTION SPECIFICALLY.

1. AMBASSADOR, ACCOMPANIED BY AID MISSION DIRECTOR AND ECON COUNSELOR, CALLED APRIL 26 ON VICE PRESIDENT (ACTING PRESIDENT) NAZRUL ISLAM IN ORDER DISCUSS ECONOMIC POLICY MEASURES AND, AS PART USG PREPARATION FOR BANGLADESH AID GROUP MEETING, SEEK VICE PRESIDENT'S (VP) VIEWS.

2. ECONOMIC POLICY MEASURES. AMB REFERRED TO BDG RICE PROCUREMENT DRIVE, DEMONETIZATION, AND 1975/76 JUTE
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POLICY, AND ASKED WHAT FURTHER MEASURES MIGHT BE CON-

TEMPLATED. VP SAID BDG MAKING "OVERALL ASSESSMENT" ECONOMIC SITUATION AND FURTHER POLICY MEASURES WOULD BE TAKEN BY FY '76 BUDGET (JUNE). "SOME MEASURES WILL COME," HE SAID.

3. BDG ACCOMMODATION WITH IMF. AMB AS "HE HAD EARLIER TOLD PRESIDENT" MUJIB, EXPRESSED HOPE BDG WOULD REACH ACCOMMODATION WITH IMF. VP SAID HE HAD FINISHED PREPARING RELEVANT RECOMMENDATIONS FOR PRESIDENT AND THAT IN DOING SO, HE HAD "BORNE IN MIND" SUGGESTIONS OF FRIENDLY DONORS, INCLUDING THOSE ADVANCED AT FIRST BANGLADESH AID GROUP MEETING.

4. POPULATION. AMB CONGRATULATED VP ON FORMATION OF POPULATION COUNCIL AND VP'S CHAIRMANSHIP, AND ASKED WHAT FURTHER STEPS WOULD FOLLOW. VP EXPECTED THAT FIRST MEETING OF POP COUNCIL, WHICH WOULD BE POLICY COORDINATING BODY, WOULD BE HELD SHORTLY AFTER PRESIDENT'S MID-MAY RETURN FROM COMMONWEALTH CONFERENCE IN JAMAICA AND THAT, IMMEDIATELY FOLLOWING COUNCIL MEETIN, HEALTH MINISTER WOULD HOLD PRESS CONFERENCE TO ANNOUNCE DECISIONS TAKEN. VP HOPED CONCERTED PROGRAM TO FOCUS ACTIVITY ON REACHING RURAL AND WORKING CLASSES WOULD BE ANNOUNCED. ANOTHER QUESTION REQUIRING PROMPT DECISION WAS WHICH GOVERNMENT DIVISION WOULD BE RESPONSIBLE FOR PROVISION OF CLINICAL SERVICES. AMB EXPRESSED SATISFACTION WITH DEGREE OF PUBLIC ATTENTION SENIOR LEADERS WERE NOW GIVING TO POPULATION GROWTH QUESTION.

5. TARGETTING OF FOODGRAIN DISTRIBUTION. AMB EXPRESSED INTEREST IN QUESTION OF WHETHER IMPORTED FOODGRAINS REACHED POOREST ELEMENTS IN POPULATION. VP SAID THAT BDG WAS LOOKING AT "WHOLE QUESTION" OF FOODGRAIN DISTRIBUTION AND THAT SOME MEASURES WOULD BE TAKEN BEFORE PARIS MEETING. VP ALSO SAID THAT BDG, IN TAKING DECISIONS, WOULD BEAR IN MIND "OPINIONS OF DONORS".

6. AGRICULTURAL RESEARCH INSTITUTE (ARI). AMB BROUGHT TO VP'S ATTENTION IMPORTANCE US ATTACHES TO MAKING ARI AN AUTONOMOUS BODY IN CONTEXT OF PROPOSED FY '76 US

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AG. RESEARCH LOAN, AN ISSUE WHICH NOW RPT NOW GOING TO NATIONAL ECONOMIC COUNCIL (CHAIRMAN BY VP).

7. GHORASAL FERTILIZER FACTORY. VP SAID GHORASAL, SHUT DOWN FOLLOWING LAST SEPTEMBER'S EXPLOSION, WOULD BEGIN PRODUCING AGAIN IN "FIRST WEEK OF JUNE".

8. LABOR DISCIPLINE. IN VIEWING THE ECONOMIC SITUATION

GENERALLY, VP SAW GROUNDS FOR OPTIMISM IN RECENTLY
IMPROVED LABOR DISCIPLINE. MORE GENERALLY, VP SAW
SPIRIT OF DISCIPLINE AMONG MANY ELEMENTS OF POPULATION.
HE DESCRIBED COUNTRY AS "IN MOOD TO PRODUCE MORE", AND
SAID TRANSLATION THIS MOOD INTO GREATER PRODUCTION
DEPENDED ON TWO FACTORS: NATURE AND GOVERNMENT'S
EFFECTIVENESS. VP EXPRESSED VIEW THAT DEMONETIZATION
HAD HELPED CHECK INFLATION IN VILLAGES WHERE FOOD
AVAILABILITIES WERE RELATIVELY GOOD, BUT THAT
CONTRACTION IN MONEY SUPPLY HAD HAD LESS EFFECT IN
CITIES WHERE THERE CONSIDERABLE SCARCITIES.
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